



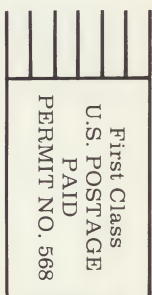
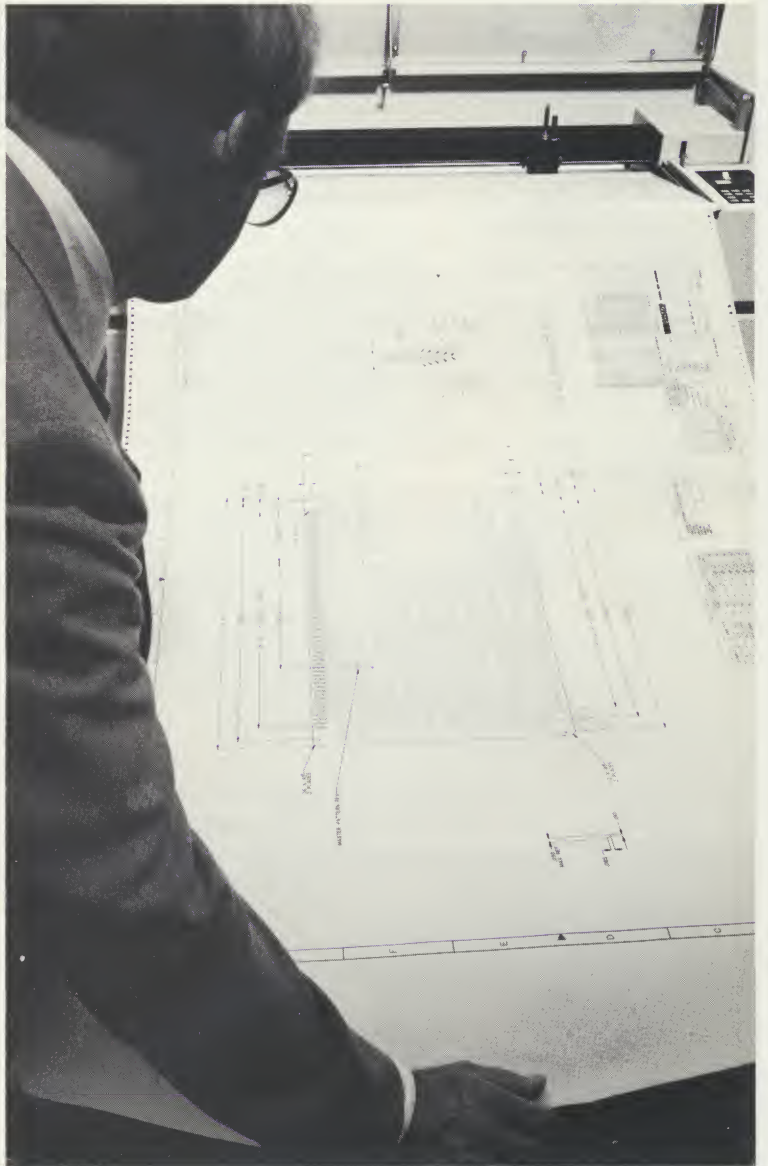
Sanders Associates, Inc.

Quarter Report
Fiscal 1981

Nine Months Ended April 24, 1981



Sanders Associates, Inc.
Daniel Webster Highway, South
Nashua, New Hampshire 03061



MESSAGE TO SHAREHOLDERS

Record sales and earnings were achieved for the third quarter and nine months ended April 24, 1981.

Net income for the quarter increased 13 percent to \$5,877,000 compared with \$5,211,000 last year. Net income per share on 10 percent higher average equivalent shares, was 74 cents per share compared with 72 cents last year. Foreign currency translation losses for the quarter reduced net income by \$422,000 or 6 cents per share compared with a loss of \$192,000 or 3 cents per share a year ago. Net sales for the quarter rose 13 percent to \$93.2 million compared with \$82.8 million in 1980.

For the nine months net income increased 22 percent to \$15,296,000 compared with \$12,547,000 last year. Net income per share on 20 percent higher average equivalent shares was \$1.93 per share compared with \$1.89 last year. Foreign currency translation losses included in net income for the nine month period amounted to \$1,022,000 or 13 cents per share compared with a gain of \$192,000 or 3 cents per share in 1980. Net sales for the nine month period increased 29 percent to \$251.7 million compared with \$194.7 million last year. Results for the nine months of 1981 include the results of California Computer Products, Inc. (CalComp). For the 1980 period CalComp's results were consolidated beginning with the second quarter.

Per share results for the quarter and nine months reflect average common equivalent shares of 7,950,000 and 7,940,000 respectively compared with 7,212,000 and 6,620,000 for the prior year periods. The increased shares include the issuance in February 1980 of 771,000 shares in connection with the acquisition of CalComp and 800,000 shares for a public offering of common stock.

The gains in net income and earnings per share for the quarter and nine months were achieved despite foreign currency translation

losses due to the strengthened U.S. dollar, and the effect of lower foreign currency exchange rates for export sales principally CalComp plotters and systems which are sold in local currency in several foreign countries. Operations in both Government Systems and Products and Graphic Systems and Products, our two major business areas, continued to reflect good gains in sales and operating profit. Pretax income from operations for nine months increased 48 percent over 1980 reflecting higher sales volume and improved profit in both areas. This excellent performance more than offset lower royalties and interest income and the impact of the foreign currency translation losses.

The outlook in our two market areas remains extremely good. In defense electronics our backlog of development and production programs continues to be well balanced with funded major programs in electronic warfare, signal intelligence and ocean surveillance expected to transition to advanced development and production stages by year-end. In view of the increasing opportunities in the defense electronics area, arising from the policies of the new administration, a program of higher spending for research and development and bid and proposal costs was pursued in the third quarter. In addition to supporting existing programs and derivatives, this effort is being directed at selected new opportunities in the defense electronics area which will enhance long term growth and profitability.

The outlook in the fast growing computer graphics market also remains very good. Our position as one of the largest independent suppliers of computer graphic products and systems was further strengthened during the quarter. Both domestic and international markets remain generally strong with demand increasing for CalComp graphic plotters, digitizers and interactive graphic systems. Our graphic display product line continues to exceed expectations with several key awards received during the quarter, including major awards for the Sanders Graphic 8 color raster display system.

SANDERS ASSOCIATES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET SUMMARY
(Unaudited)

(In thousands of dollars)

	<u>April 24 1981</u>	<u>April 25 1980(a)</u>
Assets		
Current assets	\$163,299	\$153,162
Property, plant and equipment, net	57,317	45,320
Other assets	3,199	2,843
Excess of acquisition costs over fair value of assets acquired, net	32,426	28,402
Total	<u>\$256,241</u>	<u>\$229,727</u>
Liabilities and Capital		
Current liabilities	\$ 87,543	\$ 74,357
Long-term debt	25,055	28,981
Stockholders' equity	143,643	126,389
Total	<u>\$256,241</u>	<u>\$229,727</u>

(a) Restated to include Talos Systems, Inc., accounted for as a pooling of interests.

During the quarter a new leased facility was occupied in Nashua, N.H. and construction was begun for the addition of a 125,000 square foot manufacturing facility in Merrimack, N.H. Plans are also being completed for the addition of new facilities in Nashua, N.H. and Anaheim, California.

We remain optimistic about the long term outlook and continue to expect record sales and earnings for 1981.

Jack L. Bowers *H.W. Pope*

Jack L. Bowers
President
Chief Executive Officer

H.W. Pope
Chairman

May 14, 1981

SANDERS ASSOCIATES, INC. AND SUBSIDIARIES
CONSOLIDATED SUMMARY OF INCOME
(Unaudited)

(In thousands, except
per share amounts)

	<u>Quarter Ended</u>	
	<u>April 24 1981</u>	<u>April 25 1980(a)</u>
Net sales	\$ 93,188	\$ 82,775
Pretax income from operations	10,988	8,533
Royalties and interest income	880	1,931
Interest expense	(534)	(655)
Other income (expense)	(363)	(665)
Income taxes	(5,094)	(3,933)
Net income	<u>\$ 5,877</u>	<u>\$ 5,211</u>
Net income per share	<u>\$.74</u>	<u>\$.72</u>
Average common equivalent shares	<u>7,950</u>	<u>7,212</u>

Nine Months Ended

	<u>April 24 1981</u>	<u>April 25 1980(a)</u>
Net sales	\$251,653	\$194,732
Pretax income from operations	28,398	19,175
Royalties and interest income	2,638	5,771
Interest expense	(1,678)	(2,457)
Other income (expense)	(978)	(408)
Income taxes	(13,084)	(9,534)
Net income	<u>\$ 15,296</u>	<u>\$ 12,547</u>
Net income per share	<u>\$ 1.93</u>	<u>\$ 1.89</u>
Average common equivalent shares	<u>7,940</u>	<u>6,620</u>

(a) Restated to include the results of Talos Systems, Inc., accounted for as a pooling of interests.

Cover: Sanders engineers slash design time by using a CalComp drum plotter in a computer-aided-design application to design circuit subassembly of Sanders MIP-16 processor used in major programs of the Electronic Warfare, Special Programs and Defensive Systems Divisions.

THIRD QUARTER HIGHLIGHTS

IGS-400 Installation—A recently installed CalComp IGS-400 interactive graphic system was instrumental in winning a \$3.5 million contract for a Galveston, Texas architectural firm.

Oliver & Berman Architects, specialists in public works projects for state and local governments, used an IGS-400 along with CalComp's Model 960 beltbed plotter and Engineering Drafting software package to prepare its successful bid for design and construction of housing at a prison hospital in Texas.

CalComp's IGS-400 is a low cost entry into computer-aided design and manufacturing (CAD/CAM). It is easily upgraded to the IGS-500 which supports up to four workstations operating simultaneously.

\$2.8 Million Graphic 7 and 8 Order—The Information Products Division received a \$2.8 million order from Messerschmitt-Bolkow-Blohm GmbH (MBB), Munich, Germany for continued production of Graphic 7 computer display systems and for initial production of Sanders new Graphic 8 raster display system which can depict up to 256 colors simultaneously.

The displays will be incorporated into MBB's Automatic Digitizing and Processing Systems (SysScan), which convert and process original graphic information such as maps, drawings, aerial photographs and other data. The data is then displayed on the Graphic 7 and Graphic 8 interactive display system for further processing or output. The system is offered throughout the world by MBB for applications such as surveying, cartography, public utility planning, waste disposal, master planning, rural affairs, etc.

FACSFAC Installation—During the quarter Sanders automated four color air traffic control and surveillance systems were installed at the U.S. Navy's Fleet Air Control and Surveillance Facility, Jacksonville, Florida, where they will enhance the Navy's ability to safely conduct exercises in offshore warning areas.

The systems, AN/FYK-17(V), will monitor ships as well as military and commercial aircraft using FAA and Air Force radars and information from the Navy's Tactical Data Systems. They will provide the nation's first operational use of color graphic displays for air traffic control.

Computer Development Contract—A \$1.3 million Air Force exploratory development contract was received from Wright Aeronautical Laboratories, for an advanced avionics computer to utilize the Air Force's standard programming language, JOVIAL, more effectively than existing computers. The new design, which will also provide support for the emerging Department of Defense language, ADA, is expected to result in more reliable software, improved performance and reduced program test and maintenance time.

\$3.6 Million IRCM Order—The Defensive Systems Division received U.S. Army contracts of approximately \$3.6 million during the quarter for spares and support on the ALQ-144 Infrared Countermeasures (IRCM) Production Program.

ASPJ Proposal Submitted—The Sanders-Northrop Joint Venture team submitted its Technical and Cost Proposal for the Airborne Self-Protection Jammer Program (ASPJ) to the Joint ASPJ Program Office in February. The source selection process to determine the winning team which will continue engineering development and prototype fabrication of the ASPJ system, is expected to take approximately six months. Full scale production of the ASPJ is expected to begin in 1985 with the total program award expected to exceed \$1 billion for the winning team.

Air Force ECM Programs—Contract awards related to the ALQ-137 ECM program and other Air Force programs totalling approximately one million dollars were received during the third quarter, bringing the total year-to-date awards to approximately \$25 million.

ALQ-126B Production—Excellent progress continues on the ALQ-126B ECM program with the Navy technical evaluation essentially complete. A limited production award is anticipated in the fourth quarter of this fiscal year, with a full production award for several hundred systems anticipated in Fiscal Year 1982.

Classified Defense Orders—A \$13 million contract was received from the U.S. Government by the Special Programs Division which will design and develop ground-based communications systems. The Division also received a \$1.9 million U.S. Air Force contract for special purpose airborne electronic equipment. The Defensive Systems Division received an approximate \$2.5 million contract from the U.S. Air Force for classified electronic countermeasures equipment.

World Sales Rights to Computing Subsystem—During the quarter, Sanders Associates and Analogic Corporation of Wakefield, Mass. signed an agreement granting Sanders exclusive worldwide rights to manufacture and sell militarized versions of Analogic's AP400 Array Processor, a high-speed general purpose computing subsystem capable of 10 million computations per second.

The Sanders AP400 units will be designed to meet military specifications for use in ground, shipboard and airborne applications such as radar signal processing, acoustic signal processing in anti-submarine warfare systems, direction finding systems, image processing, modulation analysis, and Fast Fourier Transforms.



Sanders Graphic 8 at Messerschmitt-Bolkow-Blohm GmbH (MBB)
processes satellite information.

NEWS

RELEASE



Daniel Webster Highway, South, Nashua, New Hampshire 03060

FOR FURTHER INFORMATION CONTACT:

FROM: Jim Joyce
(603) 885-2810

FOR RELEASE: FRIDAY,
JUNE 26, 1981

SUMMARY: Sanders installs nation's first four-color air traffic control display systems at U.S. Navy's Florida facilities.

JASKSONVILLE, FLA -- An automated air traffic control and surveillance system that enhances considerably the U.S. Navy's capability to safely conduct exercises in offshore warning areas has been installed at the Navy's Fleet Area Control and Surveillance Facility (FACSFAC) here by Sanders Associates, Inc.

Designated AN/FYK-17(V), the system, which will mark the nation's first use of color graphic displays for air traffic control, monitors commerical and military aircraft and ships within the warning areas using information from FAA and Air Force radars as well as data from the Navy's Tactical Data System.

(MORE)

Unlike present monochrome ATC displays, the Sanders systems will enable weather data, targets, aircraft data and schedule information to be segmented by color and various intensity levels.

The AN/FYK-17(V) employs the latest techniques in radar tracking from multiple radars which enable Navy operators to provide real-time control of FACSFAF airspace. The Sanders computer software allows controllers to coordinate missions, conduct search and rescue assistance, provide navigation advisories, and accept and make "hand-offs" with FAA air traffic controllers and military radar units in the FACSFAF airspace.

Other features of the system include selection of display areas ranging from four to 512 nautical miles, a zoom capability, altitude filtering, display of up to five computer-stored maps the ability to draw a new map to meet special requirements, and radar status and other capabilities.

The installation of the Jacksonville system marks the first phase of a \$6 million, multi-year contract from the U.S. Naval Electronic Systems Command. Sanders is also producing a 12 display ATC system for the Navy's Virginia Capes site and a 16 display system for San Diego, California, with an option for an additional system in Hawaii.

#####

SA-1015
6/26/81

NEWS

RELEASE



FROM SANDERS ASSOCIATES, INC., Daniel Webster Highway, South, Nashua, New Hampshire 03061

FOR FURTHER INFORMATION CONTACT:

Ray Hall, Manager, Public Relations
(603) 885-2817/Nights: (603) 673-5432

FROM: Jim Joyce
(603) 885-2810

FOR RELEASE: Friday, May 29, 1981

SUMMARY: Sanders receives Supplier Superior Performance Award from Hughes Aircraft for development of graphic support software language.

NASHUA, N.H. -- The Information Products Division of Sanders Associates, Inc. has received the Supplier Superior Performance Award from Hughes Aircraft Company's Space and Communications Group for the implementation of a graphic support software language that enables various host computers to talk to different types of display terminals in a terminal independent network.

Sanders, which is a major supplier of graphic display terminals to Hughes' Space & Communication Group, developed the software program as part of a command and control network system that includes graphic and alphanumeric terminals.

(MORE)

CREATING NEW DIRECTIONS IN ELECTRONICS

In making the award, Tom Carvey, Hughes Division Manager of Product Operations, Space & Communications Group, said "Performance of this development program is considered both technically and managerially outstanding. In spite of an extremely tight delivery schedule and a demanding state-of-the-art specification, Sanders delivered a product that was thoroughly tested, highly reliable and performed beyond the specified requirements."

The Display Support Language (DSL) was designed to operate over a network system with multiple host computers and multiple display support computers. Each display support computer manages all alpha/numeric and graphic displays. DSL provides high thruput speed, device independent data base, distributed processing, and standard callable routines.

DSL also provides the capability for a programmer at any of the various host computers to easily specify device independent data. This data is then transmitted to the Display Support Computer where it is maintained and managed. When the data is selected for viewing, the neutral data is accessed and converted to device dependent data while being transferred to a specific terminal.

(MORE)

Input from the terminal operator is also handled in a terminal independent manner so that each terminal type can interactively control the host program and the display of computer generated data at that terminal.

The system is expandable to include additional types of terminals including perhaps, new generations of equipment which have not yet been developed. The system allows the unique capabilities of each terminal type to be utilized fully while maintaining common neutral data that can be accessed from any terminal.

#####

SA-1004
5/29/81

Worldwide Sales and Service Locations

Federal Systems Group

Huntsville, AL
Oxnard, CA
San Diego, CA
Upland, CA
Warner Robins, GA
Dayton, OH
El Paso, TX
Arlington, VA

International Systems Division

Riyadh, Saudi Arabia
Doha, Qatar

CalComp Group

Domestic

Tempe, AZ
Anaheim, CA
Orange, CA
San Francisco, CA
Santa Clara, CA
Torrance, CA
Englewood, CO
South Windsor, CT
Norcross, GA
Schaumburg, IL
Shawnee Mission, KS
Metairie, LA

Waltham, MA
Westboro, MA
Southfield, MI
Bloomington, MN
St. Louis, MO
Greensboro, NC
Williamstown, NJ
Woodbridge, NJ
Fairport, NY
New York, NY
Cleveland, OH
Dayton, OH

Westerville, OH
Tulsa, OK
Portland, OR
Pittsburgh, PA
Wayne, PA
Austin, TX
Dallas, TX
Houston, TX
Murray, UT
Annandale, VA
McLean, VA
Bellevue, WA

CalComp Group

International

Buenos Aires, Argentina
Artarmon, N.S.W., Australia
Melbourne, Australia
Brussels, Belgium
La Paz, Bolivia
Sao Paulo, Brazil
Rio de Janeiro, Brazil
Rexdale, Ontario, Canada
St. Laurent, Quebec, Canada
Calgary, Alberta, Canada
Ottawa, Ontario, Canada

Santiago, Chile
Bogota, Colombia
Copenhagen, Denmark
Quito, Ecuador
Alexandria, Egypt
Helsinki, Finland
Paris, France
Düsseldorf, West Germany
Athens, Greece
Hong Kong
Ahmedabad, India

Tel Aviv, Israel
Milan, Italy
Tokyo, Japan
Osaka, Japan
Salmeih, Kuwait
Beirut, Lebanon
Kuala Lumpur, Malaysia
Mexico, D.F., Mexico
Amstelveen, The Netherlands
Lagos, Nigeria
Oslo, Norway

Lima, Peru
Singapore
Madrid, Spain
Stockholm, Sweden
Winkel bei Buelach, Switzerland
Taipei, Rep. of China
Ankara, Turkey
Bracknell, Berks, United Kingdom
Zagreb, Yugoslavia

NEWS

RELEASE



FROM SANDERS ASSOCIATES, INC., Daniel Webster Highway, South, Nashua, New Hampshire 03061

FOR FURTHER INFORMATION CONTACT:

Ray Hall, Manager, Public Relations
(603) 885-2817/Nights: (603) 673-5432

FROM: Jim Joyce
(603) 885-2810

FOR RELEASE: MORNING NEWSPAPERS
FRIDAY MAY 1, 1981

SUMMARY: Sanders receives \$2.8 million additional order from German firm for Graphic-7 and Graphic-8 computer displays.

NASHUA, N.H. -- Sanders Associates, Inc. has received an approximate \$2.8 million order from Messerschmitt-Bolkow-Blohm GmbH (MBB), Munich, Germany for continued production of Graphic-7 computer display systems and for initial production of Sanders new Graphic-8 digital television displays which can depict up to 256 colors simultaneously.

The Sanders displays will be incorporated into MBB's Automatic Digitizing and Processing Systems called SysScan. SysScan converts and processes original graphic information such as maps, drawings, aerial photographs and other data, and presents it on the Graphic-7 and Graphic-8 interactive displays for further processing or output. The system is offered throughout the world by MBB for applications such as surveying, cartography, public utility planning, waste disposal, master planning, rural affairs, etc.

(MORE)

CREATING NEW DIRECTIONS IN ELECTRONICS

The award brings to more than \$4 million the total received to date by Sanders from MBB. Under an earlier \$1.5 million order, Sanders is furnishing Graphic-7 computer displays which are high-speed stroke/refresh systems. They feature both two-dimensional and three-dimensional capabilities as well as monochrome and four-color capabilities.

The Graphic 8 combines the processing power and image dynamics of the Graphic 7 with high resolution raster graphics (digital television).

Sanders Associates, Inc. which designs, develops and manufactures electronic systems and components for the military and commercial markets, is the nation's largest producer of refresh computer graphic display systems. The New Hampshire based firm reported sales of \$281 million for fiscal year 1980.

#####

SA-1001
5/1/81